

He also said on that day, "I don't think we face a crisis. I don't think we have an impending disaster." We all just heard the President of the United States on TV last night. He described the crisis that the United States is in right now. Whether you call that an impending disaster, whether we take action or not, I don't know whether Mr. FRANK would say or those who pushed back to Mr. Snow, who pushed back to the administration, who pushed back to those of us on this side of the aisle that said we need to move forward and try to address the issue of systemic risk.

Unfortunately those efforts did not come about. We never got the world-class regulator in over the GSEs until it was too late. And now we are left with the situation at hand.

The gentleman who came before spoke of the dilemma that we are faced with, a Hobbesian choice of sorts in the way it was presented last night: Either you do this or everything will fall apart. Well we suggest that there is an alternative to the proposal that the administration has proposed. We humbly suggest that alternative should be considered in a thoughtful and thought-out process, not one that is a rush to judgment, not one that would put the American taxpayer on the hook, one that would ask the private sector to take their lead and take their step in the process as well.

We would ask for the time in order to engage in the process.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. PENCE) is recognized for 5 minutes.

(Mr. PENCE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GOHMERT) is recognized for 5 minutes.

(Mr. GOHMERT addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### IT IS INAPPROPRIATE TO TURN OVER OUR ECONOMIC SYSTEM TO THE GOVERNMENT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Ms. FOXX) is recognized for 5 minutes.

Ms. FOXX. Madam Speaker, I feel certain that some of my colleagues have already broached the issue of the topic that has been consuming us around here for the last 4 days, and that has been the topic that is most being discussed on the news and I think by many Americans. I know that in speaking to my colleagues on both sides of the aisle, that we have all received many, many telephone calls about the issue of our economy. And again it is very much on our minds and

it is the thing that is pretty much dominating everyone's thinking.

I came tonight because last night I talked a little bit about the situation that we have and my concern about the blame game. Ever since there was the announcement that we have a problem with our economy that the President and Secretary of Treasury have announced that we need to do something drastic about our economy, there have been a lot of people pointing fingers. We've heard a lot, particularly from the Democrats, saying that this is a Republican problem, you deal with it. But as we see more and more in the news and more and more in documents, we learn that Republicans and even nonpartisan people such as Alan Greenspan when he was chairman of the Federal Reserve warned that something needed to be done about this situation or we were going to very much be in the situation that we find ourselves in and that the root of this problem was the problem with the two agencies called Fannie Mae and Freddie Mac. These are agencies that were set up many years ago to deal with helping people who were low-income people or disadvantaged people or minorities get low-income loans and be able to buy homes.

We've learned again a great deal about the fact that there was insufficient oversight of those two agencies, and that when Republicans raised the issue of better oversight, more effective oversight, they were often blocked. There was an article in Friday's Washington Post by Al Hubbard and Noam Neusner entitled "Where Was Senator Dodd?" And the subheadlines, "Playing the Blame Game on Fannie and Freddie." I would like to submit the entire article. I'm not going to read it all.

Madam Speaker, let me just read a bit of it. "Taxpayers face a tab of as much as \$200 billion for a government takeover of Fannie Mae and Freddie Mac, the formerly semi-autonomous mortgage finance clearinghouses. And Senator Christopher Dodd, the Democratic chairman of the Senate Banking Committee, has the gall to ask in a Bloomberg Television interview, 'I have a lot of questions about where was the administration over the last 8 years.'

"We will save the senator some trouble. Here is what we saw firsthand at the White House from late 2002 to 2007: Starting in 2002, White House and Treasury Department economic policy staffers, with support from then-Chief of Staff Andy Card, began to press for meaningful reforms of Fannie, Freddie and other government-sponsored enterprises."

And then it goes on to talk about it. And it chronicles all of the problems that were put up to the administration when they brought these issues up. There are many, many other articles that are out, as I said, talking about this.

Now, I am not one who is in favor of the plan that was brought to us by Sec-

retary Paulson at the beginning of this week. Many of us here really believe in this country, and we believe in the principles that undergird this country. They are the rule of law, our Judeo-Christian heritage and capitalism. Those are the things that have made our country great. And it is not appropriate to turn over our economic system to the government.

[From the Washington Post, Sept. 12, 2008]

WHERE WAS SEN. DODD?

(By Al Hubbard and Noam Neusner)

Taxpayers face a tab of as much as \$200 billion for a government takeover of Fannie Mae and Freddie Mac, the formerly semi-autonomous mortgage finance clearinghouses. And Sen. Christopher Dodd, the Democratic chairman of the Senate Banking Committee, has the gall to ask in a Bloomberg Television interview: "I have a lot of questions about where was the administration over the last eight years."

We will save the senator some trouble. Here is what we saw firsthand at the White House from late 2002 through 2007: Starting in 2002, White House and Treasury Department economic policy staffers, with support from then-Chief of Staff Andy Card, began to press for meaningful reforms of Fannie, Freddie and other government-sponsored enterprises (GSEs).

The crux of their concern was this: Investors believed that the GSEs were government-backed, so shouldn't the GSEs also be subject to meaningful government supervision?

This was not the first time a White House had tried to confront this issue. During the Clinton years, Treasury Secretary Larry Summers and Treasury official Gary Gensler both spoke out on the issue of Fannie and Freddie's investment portfolios, which had already begun to resemble hedge funds with risky holdings. Nor were others silent: As chairman of the Federal Reserve, Alan Greenspan regularly warned about the risks posed by Fannie and Freddie's holdings.

President Bush was receptive to reform. He withheld nominees for Fannie and Freddie's boards—a presidential privilege. While it would have been valuable politically to use such positions to reward supporters, the president put good policy above good politics.

In subsequent years, officials at Treasury and the Council of Economic Advisers (especially Chairmen Greg Mankiw and Harvey Rosen) pressed for the following: Requiring Fannie and Freddie to submit to regulations of the Securities and Exchange Commission; to adopt financial accounting standards; to follow bank standards for capital requirements; to shrink their portfolios of assets from risky levels; and empowering regulators such as the Office of Federal Housing Oversight to monitor the firms.

The administration did not accept half measures. In 2005, Republican Mike Oxley, then chairman of the House Financial Services Committee, brought up a reform bill (H.R. 1461), and Fannie and Freddie's lobbyists set out to weaken it. The bill was rendered so toothless that Card called Oxley the night before markup and promised to oppose it. Oxley pulled the bill instead.

During this period, Sen. Richard Shelby led a small group of legislators favoring reform, including fellow Republican Sens. John Sununu, Chuck Hagel and Elizabeth Dole. Meanwhile, Dodd—who along with Democratic Sens. John Kerry, Barack Obama and Hillary Clinton were the top four recipients of Fannie and Freddie campaign contributions from 1988 to 2008—actively opposed such measures and further weakened existing regulations.

The president's budget proposals reflected the nature of the challenge. Note the following passage from the 2005 budget: Fannie, Freddie and other GSEs "are highly leveraged, holding much less capital in relation to their assets than similarly sized financial institutions. . . . A misjudgment or unexpected economic event could quickly deplete this capital, potentially making it difficult for a GSE to meet its debt obligations. Given the very large size of each enterprise, even a small mistake by a GSE could have consequences throughout the economy."

That passage was published in February 2004. Dodd can find it on Page 82 of the budget's Analytical Perspectives.

The administration not only identified the problem, it also recommended a solution. In June 2004, then-Deputy Treasury Secretary Samuel Bodman said: "We do not have a world-class system of supervision of the housing government-sponsored enterprises (GSEs), even though the importance of the housing financial system that the GSEs serve demands the best in supervision."

Bush got involved in the effort personally, speaking out for the cause of reform: "Congress needs to pass legislation strengthening the independent regulator of government-sponsored enterprises like Freddie Mac and Fannie Mae, so we can keep them focused on the mission to expand home ownership," he said in December. He even mentioned GSE reform in this year's State of the Union address.

How did Fannie and Freddie counter such efforts? They flooded Washington with lobbying dollars, doled out tens of thousands in political contributions and put offices in key congressional districts. Not surprisingly, these efforts worked. Leaders in Congress did not just balk at proposals to rein in Fannie and Freddie. They mocked the proposals as unserious and unnecessary.

Rep. Barney Frank (D-Mass.) said the following on Sept. 11, 2003: "We see entities that are fundamentally sound financially. . . . And even if there were a problem, the federal government doesn't bail them out."

Sen. Thomas Carper (D-Del.), later that year: "If it ain't broke, don't fix it."

As recently as last summer, when housing prices had clearly peaked and the mortgage market had started to seize up, Dodd call on Bush to "immediately reconsider his ill-advised" reform proposals. Frank, now chairman of the House Financial Services Committee, said that the president's suggestion for a strong, independent regulator of Fannie and Freddie was "inane."

Sen. Dodd wonders what the Bush administration did to address the risks of Fannie and Freddie. Now, he knows. The real question is: Where was he?

#### AMERICA NEEDS REAL FINANCIAL REFORM, NOT A BAILOUT

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

Ms. KAPTUR. Madam Speaker, I would like to place in the RECORD the measuring sticks against which I will weigh any proposal brought before this Congress to bail out Wall Street investment houses.

Number one, financial reform must come first. America needs reform, not a bailout. Over the last 20 years, legislation has been passed by this Congress, H.R. 1278 in 1989 called FIRREA, interstate banking in 1994 which created those big mega banks, and H.R. 10/

S. 900 in 1999, which overturned the Glass-Steagall Act that allowed banking, real estate and insurance all to be under the roof of the same firm.

Well all those bills together have created a highly concentrated financial system, particularly in housing finance, rather than a decentralized one like that which we had for most of the 20th century. This bailout is the result of high-risk misbehavior by distant financial giants. They have sucked equity out of local communities and turned local markets into derivative, debt-ridden communities rather than independent, robust, credit markets with prudent savings and lending practices.

Reform should restore those prudent and transparent banking practices defining the difference between banks and investment houses and protecting and restoring the protections that existed prior to 1999 when that Glass-Steagall Act was eliminated. Conflicts of interest at bond rating agencies should be addressed by such agencies becoming public. Reform, as I say, and regulation should come first out the door before the money, not later.

□ 2000

Number two, Main Street housing market deflation must be stabilized as step one. A moratorium should be placed on all home foreclosures for 120 days. That will take us into the new year. And deflation in the housing market really is what has triggered this credit crunch. The Federal Reserve could use its influence through its regionalized structure to bring parties together to work out affected loans in places like Ohio to stabilize local real estate and housing markets. That is where the real assets are and where the markets must clear and adjust.

What a crime it would be if people are thrown out of their homes and an institution somewhere over in England like Barclays becomes the owner of those assets and gets them at fire-sale prices. We need to put those assets back in the hands of the American people.

The traditional home loan backed by savings deposits was converted into a bond during the 1990s and then securitized into those international markets. The time-tested loan standards of character, collateral and collectibility were shelved, and therefore to reform this system it must be decentralized again, with the community savings and home loan bank system being reestablished with an emphasis on increasing savings deposits with enhanced local mortgage origination and oversight, as opposed to concentration of activity in Wall Street investment houses.

Number three, a new Financial Assets Management Board should be formed to manage this mortgage refinancing and workouts at the local level, similar to FDR's Homeowner Loan Corporation.

Fourth, the Department of Justice should be authorized to investigate the

wrongdoers, to track down the fraud, misrepresentation of asset value, insider trading and related crimes in this scandal. There should be over 500 attorneys and accountants and support staff to conduct thorough investigations, forensic accounting and prosecution.

Fifth, any Federal dollar that is expended must result in equity to our taxpayers. If our people are going to be forced to fund unlimited private sector bad debt, our people must receive an equity share in every Wall Street financial company proportional to the amount of bad debt held that is shifted to the taxpayer.

Our people are being asked to take 100 percent of the risk. They should be afforded the benefit of any future profits. A 0.25 percent transaction fee should be charged on every Wall Street trade or Chicago Board of Trade transaction, and that \$150 billion a year that will be yielded should pay the American people back over time.

Sixth, a select congressional committee should be established to hold hearings, do proper oversight and advise the next President and Congress on mortgage and financial recovery operations and additional means to assure any necessary repayment of public investment.

Seven, standards for executives and compensation structure in the financial services industry should be established. Those outlandish salaries that they get should be curbed, and all bonuses, stock options and exceptional compensation for those individuals and their boards of directors should be discouraged. We should help to pay the bill by going after some of their assets.

Finally, Madam Speaker, I would like to place this in the RECORD, and also include bankruptcy reform as one of the major changes that we need to make in any measure. These are the steps that would actually result in market recovery, not just bailing out unknown assets and bad debts from Wall Street.

KAPTUR: REAL REFORM OR NOTHING—  
FINANCIAL REFORM MUST COME FIRST

America needs real financial reform first, not a bailout. Over the last 20 years, legislation passed by Congress (HR 1278 in 1989, HR 3841 in 1994, and HR 10/S 900 in 1999) has highly concentrated financial activities on Wall Street—particularly housing finance—rather than decentralized them. This bailout is the result of high risk misbehavior by distant financial giants. They have sucked equity out of local communities and turned local markets into derivative, debt-ridden communities rather than independent robust credit markets with prudent savings and lending practices.

Such reform should restore prudent and transparent banking practices. Reform of the deregulated financial structure should start with defining the difference between banks and investment houses and restoring protection that existed prior to 1999 when the Glass-Steagall Act was eliminated. Each should have defined activities and be regulated separately.

Conflicts of interest at bond rating agencies should be addressed by such agencies becoming public.

Reform and regulation should come first, not later. Franklin Delano Roosevelt invented the basic framework that served